

## PROJECT OVERSIGHT REPORT

**MMIS Remediation for HIPAA**  
**Department of Social and Health Services**

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**Description:** The Department of Social and Health Services (DSHS) Medical Assistance Administration (MAA) is implementing the federal Health Insurance Portability and Accountability Act (HIPAA). This report will review the status of MAA's information system remediation efforts to its legacy Medicaid Management Information System (MMIS) and provider front-end to comply with Rule #1 of HIPAA, "Administrative Simplification."

HIPAA is intended to increase the efficiency of processing of health care transactions, thereby reducing the cost of health care for both public and private sector organizations. Benefits should accrue to health care providers before they accrue to health plans such as Medicaid.

Rule #1 of HIPAA established mandatory standards, formats, and code sets for those health plans and health care providers who conduct business through the exchange of electronic transactions. The electronic transactions covered by the HIPAA mandate include claims submission and payment, health plan enrollment and disenrollment, premium payments for health plan participation, eligibility verification, referral request and authorization, and claim status inquiry and response. To receive and generate these standardized electronic transactions, MMIS requires critical modifications and enhancements by the mandated compliance date of October 16, 2003.

DSHS presented at the April 10<sup>th</sup>, 2002 ISB meeting and received Board approval to amend the current contract with Affiliated Computer Systems (ACS), formerly Consultec, to modify MMIS to support HIPAA and release an RFP to acquire services for the installation/purchase of translation middleware and the development of a web portal front end.

**Technology:** MMIS is a 1970s legacy system developed by Consultec (now ACS). It is comprised of over 1,400 programs and 3,000,000 lines of COBOL code. Although developed by ACS, DSHS owns the MMIS source code. Operation and maintenance of the system is performed by ACS under a "facilities manager" contract with the department.

To achieve HIPAA compliance, the department must:

- (1) create a web front-end (Internet portal) for submission of claims and other electronic transactions acquire
- (2) implement middleware/translation functionality and
- (3) make changes to the legacy MMIS application.

The project has adopted a minimalist approach; that is, the plan is to make minimal modifications to MMIS and implement as much of HIPAA as possible via Internet portal (front end) and translator (middleware) software.

To address risk, the project staff and business units have prioritized all significant project requirements. Included in the approach are commercial off-the-shelf (COTS) software products, where appropriate, such as the middleware translator that will utilize the nationally accepted "Mercator Translator" software for processing all HIPAA-mandated formats and code sets.

**Life Cycle Stage:** MMIS remediation is in the development stage. Web front-end and middleware are in the design and requirements documentation phase.

As mentioned in the Technology section, there are three systems components to the project.

<b>Component</b>	<b>Life Cycle Stage</b>
Web Front-End Middleware	The Request for Proposal acquisition process has been completed and an Apparent Successful Vendor (ASV) selected. As part of the contract negotiations, work plans are being completed along with other project planning.
Medicaid Management Information System (MMIS)	MMIS business requirements that support HIPAA compliant processing are being validated by the business units. ACS system modification activities are progressing as the requirements are validated.

**Budget:** The budget for this project is \$14,918,430 with 90% coming from federal financial participation. Both development activities are fixed price contracts. The cost breakdown is as follows:

<b><u>Description</u></b>	<b><u>Deliverable</u></b>	<b><u>Cost Breakdown</u></b>	<b><u>Percent of Total</u></b>
ACS Programming	MMIS Changes	\$8,067,000	54%
Middleware & Front-End	Translation Software for Transaction	\$4,055,000	27%
State Staff	Testing and Interface Work	\$1,426,000	10%
Quality Assurance	Independent Reviews and Reports	\$450,000	3%
Contingency	Unanticipated System Requirements	\$920,430	6%
	<b>Total</b>	<b>\$14,918,430</b>	<b>100%</b>
	<b>State Participation</b>	<b>\$1,491,843</b>	<b>10%</b>

**Status:** The project is currently on schedule and on budget. These are fixed price contracts. The project has been broken into three separate releases (phases):

- **Release 1:** Release 1 will be the Implementation of the HIPAA compliant solution for the pharmacy portion of the MMIS (called “Point of Sale” or POS). The POS system handles over 50% of the Medicaid claims volume.
- **Release 2:** Release 2 will allow MMIS to accept HIPAA compliant claims submissions for the non-pharmacy claims and to continue payment of managed care premiums.
- **Release 3:** Release 3 will address implementation of all “ancillary” HIPAA requirements (such as, but not limited to, prior authorizations).

Major project milestones and status are listed below. The competitively bid and awarded Middleware and Web Front-end work is being finalized as part of the contract negotiation process and the dates shown are subject to change based on the signed contract.

Milestone	Estimated Schedule / Description	Status
Federal Advanced Planning Document (APD)	Approved June 2002	Started and completed on time
External Quality Assurance Consultant Contract Awarded/Approved	Awarded June 2002	Started on time Ongoing
MMIS Remediation	November 2002 – November 2003  MMIS remediation consists of 58 task groups. 37 of the 58 design deliverables have been submitted for approval. 31 have been approved, 9 are now in the review stage and 18 are under construction.	Started on time  On schedule
Front-End/Middleware RFP	Released November 2002	Started and completed on time
Front-End/Middleware Contract	Submitted to CMS for approval in March 2003  Negotiations are in final stages. No contract issues are anticipated.	Started on time  On schedule

Milestone	Estimated Schedule / Description	Status
HIPAA Transactions POS Solution Release 1	March 2003 – April 2003  Includes system and user acceptance testing	
HIPAA Transactions Solution Release 2	April 2003 – August 2003  Includes system and user acceptance testing	Started on time  On schedule
HIPAA Transactions Solution Release 3	November 2003 - January 2004  Includes system and user acceptance testing	

#### Issues:

- Schedule: As is true with most states, MAA will have difficulty implementing every feature of the HIPAA standard transactions by the October 16, 2003 deadline. In order to mitigate this risk (as well as continuing to maintain payments to providers), MAA conducted a business prioritization exercise with both technical and program staff. This process resulted in a multi-phased implementation approach that includes three separate releases.

MAA is making every possible effort to ensure that Medicaid claims, both HIPAA compliant and non-HIPAA compliant, continue to be payable during what is anticipated to be a several month transition process for Medicaid providers.

- Parallel Claims Payment Process: Many providers will not be ready by the October 16, 2003 deadline. Although the federal Centers for Medicare and Medicaid Services (CMS) states that non-HIPAA compliant claims should be submitted on paper, DSHS cannot handle a paper process. Therefore, MAA is planning to accept both HIPAA compliant and non-HIPAA compliant transactions for the immediate future.

MAA is currently assessing provider HIPAA readiness including performing a comprehensive provider readiness outreach program during the first phase of the front end/middleware component of the project. Information gathered during the outreach program may result in further changes to the implementation schedule.

- Contingency Planning: MAA is still in the process of developing its contingency plan. MAA must increase the effort to complete this plan and begin implementing mitigation activities as needed. MAA must have a viable plan for conducting business if HIPAA partners are not ready to submit claims electronically and choose instead to submit paper claims.

**Recommendation:** ISB oversight staff recommends that DSHS MAA finalize the contingency plan as soon as possible and review the results with ISB staff.

